

# **IOWA RACING AND GAMING COMMISSION**

## **MINUTES**

### **JUNE 3, 2010**

The Iowa Racing & Gaming Commission (IRGC) met on Thursday, June 3, 2010 at Stoney Creek Inn & Conference Center, Johnston, Iowa. Commission members present were Greg Seyfer, Chair; Toni Urban, Vice Chair; and members Kate Cutler, Andrea Harrison and Paul Hayes.

Chair Seyfer called the meeting to order at 8:30 AM and requested a motion to approve the agenda. He noted that agenda item 9E – Schedule of Racing-related Capital Improvements under Prairie Meadows Racetrack & Casino (PMR&C) was being deferred until the July meeting. Commissioner Urban moved to approve the agenda as amended. Commissioner Cutler seconded the motion, which carried unanimously.

Chair Seyfer moved to the next agenda item, Executive Session, and requested a motion. Commissioner Cutler moved to go into Executive Session for the purpose of receiving Division of Criminal Investigation (DCI) background investigation reports pursuant to Iowa Code Section 21.5(1)g. Commissioner Hayes seconded the motion which carried unanimously on a roll call vote.

Upon reconvening the open session, Chair Seyfer moved to the approval of the minutes from the May 13, 2010 Commission meeting, and requested a motion. Commissioner Cutler moved to approve the minutes as submitted. Commissioner Urban seconded the motion, which carried unanimously.

Chair Seyfer called on Jack Ketterer, Administrator of IRGC, for announcements. Mr. Ketterer provided the following information regarding upcoming Commission meetings:

- July 29, 2010 – Stoney Creek Inn, Johnston, IA (Submissions due by July 15, 2010)
- August 26, 2010 – Riverside Casino & Golf Resort, Riverside, IA (Submissions due by August 12, 2010)
- October 7, 2010 – Hotel Julien Dubuque, Dubuque, IA (Submissions due by September 23, 2010)

Chair Seyfer called on Clinton County Community Development Association regarding their request to change the name of the non-profit organization to Clinton County Development Association. Tim Bollmann, General Manager of Wild Rose Clinton, stated the name change was precipitated by the change from the riverboat to a land-based facility and a desire to simplify the name. The non-profit board is also looking at changing their logo to reflect the land-based facility.

Chair Seyfer called for any questions concerning the proposed name change. Hearing none, he requested a motion. Commissioner Hayes moved to approve the name change for Clinton County Community Development Association to Clinton County Development Association. Commissioner Urban seconded the motion, which carried unanimously. (See Order No. 10-53)

Chair Seyfer called on Terrible's Lakeside Casino for an update on the bankruptcy proceedings. Sean McGuinness, Legal Counsel for Wilmington Trust, the senior lending group, and David Ross, Chief Operating Officer (COO) of the current company, were present to address the Commission. Mr. McGuinness advised that Herbst Gaming, Inc. filed for Chapter 11 Bankruptcy in Reno, Nevada in March 2009. As part of the bankruptcy process, a reorganization plan was put together, and has been approved. The plan calls for the senior lender to convert their debt into equity and become the 100% owner of a new Herbst Gaming, which will be known as Herbst Gaming, LLC. When the company comes out of bankruptcy, the stock of Herbst Gaming, Inc. will be cancelled and the LLC membership shares will be issued to the senior lending group upon regulatory approval from Iowa, Missouri and Nevada. Mr. McGuinness stated the reorganization plan was approved in October 2009; however, there was a delay as a bondholder group did not agree with the plan. As there was a disagreement between the parties, the Bankruptcy Judge decided in January that he would write the final order in the matter, which gave Wilmington Trust the green light to make application in Nevada, Iowa and Missouri. Mr. McGuinness advised that the necessary applications have been filed in all three jurisdictions. He has been coordinating with Mr. Ketterer, IRGC staff and the DCI. He stated that Herbst Gaming, LLC would remain a publicly traded gaming company for gaming purposes, meaning there are different thresholds that determine who has to be licensed. Mr. McGuinness noted there is one group that is above 10%, Silverpoint Capital, who has filed the necessary applications in all three states, and the investigation process has been started. He advised there are three other groups that are between 5-10%, and the necessary information has been submitted to qualify the entities/investors. The Herbst Gaming board was reorganized earlier this year, and five individuals have been designated to run the reorganized company should licensing occur in all three states. The new board consists of David Ross, COO of the existing entity, will be the Director of the Herbst Gaming, LLC Board and has been designated the Chief Executive Officer (CEO) in waiting; Don Hornstein, designated Chairman of the Herbst Gaming, LLC Board; and members Thomas Benninger, Michael Rumboldt, and Ferenc Szoney, President and COO of the existing Herbst Gaming entity, and will remain in that capacity going forward with Herbst Gaming, LLC. All have an extensive background in the gaming industry. Mr. McGuinness reiterated that applications have been filed for the equity holders, an equity waiver request has been made, and applications have been filed for all of the Board members in all jurisdictions. He stated they are hoping to have everything completed and the turnover occur during the fourth quarter of this year. Since the board members have been previously licensed in Nevada, the Nevada licensing process will be more in line with that of Missouri and Iowa. Mr. McGuinness turned the floor over to Mr. Ross.

Mr. Ross stated that the Board does not expect any changes at the regional level with respect to Terrible's Lakeside; they are very happy with the operation in Iowa. He stated that working through a bankruptcy is no fun; everyone is trying to do the right thing for the company. Mr. Ross stated that the lenders are very much aware of the various regulatory issues and have not interfered in the licensing process.

Chair Seyfer asked if the new Board would reassess the situation with regard to future plans after the fourth quarter. Mr. Ross stated that Herbst Gaming, LLC is very excited about Iowa, and it is their intent to conduct market research in order to gain a better sense of what can be done at the property to drive additional revenue and determine what it is the customer wants. Mr. Ross stated that his job is to oversee the transition and determine what opportunities are available. He noted that they had installed some new games, and pending approval of the contract, will be changing the surveillance system. They also intend to remodel the existing hotel rooms, noting that they continue to reinvest in the property even though they are subject to bankruptcy court.

Chair Seyfer asked if the hotel project would be on the list. Mr. Ross answered in the affirmative, indicating the feasibility study has to be updated as it is two years old. He stated that the most recent proposal in front of the Commission was from the 360 Group of Iowa, and the hotel was going to be a joint venture. Mr. Ross stated that both parties have signed a non-binding agreement which calls for the 360 Group to obtain the financing even though it is a joint project. He stated that the 360 Group has now expressed concern that they will not be able to obtain the financing under the current economic conditions.

Chair Seyfer moved to the review of the licensees' financial audits and called on Ameristar Casino Council Bluffs. Jane Bell, Director of Government Affairs, and John O'Neil, Director of Planning and Analysis, were present to answer any questions.

Commissioner Hayes asked about the large increase in capital expenditures. Ms. Bell advised that they had replaced the air filtration system, which cost approximately \$4.3 million. Commissioner Cutler asked if the project has been completed. Ms. Bell answered in the affirmative. Commissioner Cutler asked if it was for the whole property or just on the boat. Ms. Bell indicated the air filtration system was just replaced on the boat.

Hearing no further questions concerning the Ameristar audit, Chair Seyfer called on Argosy Casino-Sioux City (Argosy). Joelle Shearin, CFO, was available to answer questions. Commissioner Hayes asked about the capital investment made at Argosy over the year, it is just over 2% of the revenue for the company. He asked if there are any plans for any significant improvements based on what the property seems to be contributing to the company. Ms. Shearin stated that Penn National Gaming has been making significant improvements at other properties; however, the rate of return on capital investment does not pencil out for the Sioux City property. Commissioner Cutler asked if there is any chance the facility would be converted to a land-based property.

Kees Eder, General Manager, stated that the company has looked at that prospect, but at this time, such a move does not make sense financially as the population is declining in the area and additional competition is coming into the area.

Commissioner Urban asked if there is a parking problem at the facility. Mr. Eder indicated that was correct; that it is an ongoing struggle with the city. He indicated the company would have liked to build a small parking deck, but the city has prevented that from happening so far.

Mr. Ketterer asked Mr. Eder what hotels the facility utilizes for its guests. Mr. Eder advised that they use the Hilton Garden Inn, located approximately 1 mile from the property, and the Holiday Inn Downtown, which is less than a mile. He stated that the Hilton Garden Inn is a little newer property and guests prefer to stay at that hotel. Commissioner Harrison asked if the facility offers shuttle service because of the parking issue. Mr. Eder answered in the affirmative; to all of the hotels, and if no shuttle is available, they provide a taxi.

Hearing no further questions regarding the audit for Argosy-Sioux City, Chair Seyfer called on Catfish Bend Casino and Southeast Iowa Regional Riverboat Commission (CBC/SIRRC). Jerry Baum, COO for Great River Entertainment, stated that CBC produced gross revenues of \$38.5 million, down from \$38.4 million in 2008. He stated CBC continues to market heavily to their primary base through the Players Club and direct mail program; 65% of CBC's revenue comes from Iowa residents and 35% from out-of-state. Mr. Baum stated that in 2009 CBC paid \$9.6 million in taxes to the State of Iowa, \$1.2 million in fees to Lee County, and the cities of Fort Madison and Keokuk, and an additional \$1.2 million to Des Moines County and the city of Burlington. He advised that CBC spent \$39.6 million with Iowa vendors, and employs 520 individuals with an annual payroll of \$12.4 million. Mr. Baum stated that CBC was able to reduce its long term debt significantly through Great River Entertainment in 2009 through a debt repurchase funded by additional equity from owners. He introduced Donald Spears, Controller for CBC, who was present to answer any questions.

Mr. Ketterer asked if the distributions to the shareholders were shown at the bottom. Mr. Spears answered in the negative, indicating the distributions are made to the parent company who then determines whether distributions will be made to the shareholders.

Mr. Ketterer noted that the balance is down to \$1.1 million, and depends upon whether distributions to the shareholders are continued. Mr. Spears stated he could not answer the question; that it is a management decision. He indicated the entry is a quasi-book entry in terms of posting to the parent company and will have no effect on the ability of the casino to continue operating in its current manner.

Commissioner Hayes pointed out that the capital expenditures at CBC for 2008-2009 if not the lowest, were almost the lowest. He asked what the capital investment plans were in the near future. Mr. Baum stated that the company's own covenants require them to

set aside 3% of gross revenues, which is done on a monthly basis, and based on that set aside, just over half of it was spent on slot machine conversion purchases to keep the gaming floor current, and a substantial portion of the second half was used for refurbishing the hotel, which is an ongoing process. He noted there are just a few projects to complete this year. Another substantial portion is utilized to keep the arcade games updated.

Commissioner Hayes asked if the money spent in 2010 would be greater than in 2009. Mr. Baum felt that a significant portion of the 3% set aside would be utilized for slot machine replacement/enhancement. He pointed out that when the Ft. Madison boat was closed in 2007, there were 400 slot machines on the boat. Mr. Baum explained that upgrading machines already on the gaming floor was cheaper than purchasing new slot machines. Commissioner Hayes asked if that meant CBC would spend more in 2010 than in 2009. Mr. Baum stated they would still do the 3% of gross revenue set aside. Commissioner Hayes stated that setting the funds aside is different than spending the money. Mr. Baum stated that they are spending the funds; that they are current with the 3%. He advised that there are a number of projects for which the money is utilized.

Hearing no further questions concerning the CBC audit, Chair Seyfer called for any questions concerning the audit for the SIRRC. Hearing none, Chair Seyfer called on Diamond Jo (DJ). Kim Pang, General Manager for Diamond Jo Worth (DJW), introduced Scott Cooper, the new General Manager for DJ. Mr. Cooper advised that Wendy Runde, Director of Finance, and Lori Nelson of Peninsula Gaming, were present to address questions. Mr. Cooper commented on the great job Peninsula Gaming did in building an outstanding, quality facility, which helped the first full year's performance in 2009. He stated that revenue, admissions and EBITDA performance were up significantly from 2008; that the market between DJ and Mystique Casino grew overall. Admissions were up 17%, and gross gaming revenue for the market was up 13.5%.

Ms. Runde stated that she wanted to cover a few items that impacted the financial statement. She reiterated that 2009 was the first full year of operations in the land-based facility; therefore the income statement from 2009/2008 is not an apples-to-apples comparison. From a balance sheet standpoint, she advised that Peninsula Gaming, the parent company, completed some global refinancing in 2009; senior secured notes at the Diamond Jo were redeemed and new notes have been recorded at the parent company. She indicated that a number of the large fluctuations reflected on the balance sheet are a direct result of the refinancing.

Hearing no questions for Mr. Cooper or Ms. Runde, Chair Seyfer called on DJW. Mr. Pang and Tim Wendel, Director of Finance, were present to answer questions. Mr. Pang stated that DJW saw gaming revenue increase by \$500,000 in 2009, win per admission increased 2.9%, and that a significant portion of the business continues to come from the Minnesota market. He noted that food and beverage revenue increased \$400,000, and EBITDA increased by \$1 million, primarily due to increased revenues and a reduction in casino operating costs. Mr. Pang stated that Peninsula is happy with the performance of

the management team, which has been able to effectively manage cost reductions without layoffs or a negative impact to the customer's experience. He stated DJW employed an average of 329 FTEs during 2009. Mr. Pang referenced the global refinancing completed by Peninsula, noting that DJW is still financing the debt. He advised that an outside vendor is looking to develop a new hotel across the street from the facility. Mr. Pang noted that development at the property and the intersection is at a standstill due to the wastewater treatment plant, which is experiencing some financial difficulties. The Worth County Supervisors are considering purchasing the wastewater treatment plant, and expanding it to allow additional development. The developer for the Holiday Inn Express is building their own wastewater and sewage system, and will be trucking waste to Northwood for the time being. It is hoped the properties will be able to tie in with the wastewater treatment plant within the next year or so.

Commissioner Urban asked the occupancy rate of the existing hotel. Mr. Pang indicated the Country Inn & Suite has 100% occupancy during the weekends, indicating there is room for additional hotel rooms. He stated that another hotel developer is waiting for a truck stop.

Hearing no further questions regarding the DJW financial audit, Chair Seyfer called on Harveys Iowa Management Company, Inc. Janae Sternberg, Director of Finance, was present to answer questions. Commissioner Hayes asked for an explanation of capital expenditures. Ms. Sternberg advised that Harrah's spent approximately \$750,000 in 2009 and will be closer to \$1.8 million in 2010 due to the refurbishing of the hotel rooms.

Mr. Ketterer asked about the occupancy rate for the Garden Inn Hotel. Ms. Sternberg indicated the current occupancy rate is approximately 65%, with Harrah's filling 50% of the 65%. She stated the hotel is picking up some business over the summer months, and Harrah's is finding it more difficult to get their 15 contracted rooms during the week. She noted that the Garden Inn has hired a couple of sales managers in the last month, who have been successful in booking some larger groups for the hotel as well.

Commissioner Hayes asked about capital expenditures for Horseshoe Casino. Ms. Sternberg stated that Harrah's spent approximately \$2 million in 2009 due to the opening of the VIP lounge; the figure will be somewhat lower for 2010 – \$1.2 or \$1.3 million for maintenance.

Commissioner Hayes asked about operating cash flow, noting that the management company reduced their fee. Ms. Sternberg advised that the report was somewhat deceiving as a lot of their cash goes to the corporate level; she indicated the property is cash flowing very well for Harrah's. She indicated that cash flow is up year over year between 4% and 6% for the past couple of months. Ms. Sternberg noted that Horseshoe has prospered to the detriment of the Harrah's property; stating that Harrah's is pleased with what Horseshoe has done so far this year.

Hearing no further questions concerning the Horseshoe audit, Chair Seyfer called on HGI-Lakeside. Bob Thursby, General Manager, was present to answer any questions. Chair Seyfer noted that a number of questions were more than likely answered in the previous discussion concerning the bankruptcy proceedings.

Hearing no questions regarding the HGI-Lakeside audit, Chair Seyfer called on Wild Rose Clinton (WRC). Tom Timmons and Scott Ivers, Director of Operations and CFO respectively for Wild Rose Entertainment, were present to answer questions regarding the audits for WRC or Wild Rose Emmetsburg (WRE).

Mr. Ivers stated that WRC had \$32.9 million in gaming revenue, an increase of 9.5% from the previous year. He noted that 96% of their purchases are from Iowa vendors, and employs 330 individuals.

Mr. Ketterer asked the approximate occupancy rate for the hotel on the property. Mr. Timmons stated that it is about 66-67% year-to-date, but weekends are 100%. Commissioner Urban asked if those occupancy rates were true for the Emmetsburg hotel. Mr. Timmons indicated the Emmetsburg hotel is experiencing about the same occupancy rates, but was somewhat lower the previous year. He noted that they have stepped up marketing in an attempt to increase week night business. Commissioner Harrison asked for some examples of steps taken to increase the occupancy rate at Emmetsburg. Mr. Timmons indicated they have lowered the rate charged for the hotel rooms, increased the amount of free play during the week, free or reduced meals, etc.

Hearing no further questions regarding the financial audits for WRC or WRE, Chair Seyfer called on Riverside. Joe Massa and Dan Franz, General Manager and Controller respectively, were present to answer questions. Mr. Massa noted that the audit before the Commission reflects 3 years of operations. He advised that total assets are \$111 million, and as of the year end, the parent company has invested \$127 million in property and equipment, almost \$2 million in 2009. Liability is \$94.5 million, a reduction of \$12 million from the previous year; the final license fee installment of \$2 million was paid to the Commission, and bank debt was reduced by \$8.1 million. Mr. Massa stated that total revenue for 2009 was \$103.3 million, or an increase of \$600,000 from the previous year. He advised that revenue was more challenged than the figures indicated because if the promotional allowances were removed, revenue would have decreased. Mr. Massa stated that slot play increased by 2.2%, but table game play was down approximately 8.6%. Hotel revenue decreased 11%; however golf revenue increased 50%. He advised that despite the softening revenues, Riverside was able to decrease operating expenses, and EBITDA for 2009 was approximately \$22 million, a decrease of 2%.

Mr. Massa stated that payroll was about \$20.2 million, including profit sharing and health insurance. Riverside paid approximately \$963,000 to its employees in profit sharing. Gaming taxes and fees were \$19.3 million, or \$65 million since the facility opened. The licensing fee raises the figure to \$75 million. The City of Riverside has received \$5.7 million, or about \$1.7 million per year as stated in the agreement between the parties.

The facility has also paid \$5.3 million in property taxes since opening; \$2.1 million last year alone. The not-for-profit license holder has received \$3.3 million in 2009, and \$10.5 million since the facility opened. Mr. Massa stated that the company made contributions of \$256,000 last year for a total of \$756,000 since opening. He noted that 97% of their expenditures are with Iowa vendors if specialized vendors, gaming equipment and other purchases that are not available from Iowa businesses are excluded. Mr. Massa noted that Riverside started the GIVE Foundation in 2007 with the Veterans Administration and the Iowa Professional Golfers Association. Mr. Massa pointed out that the facility is owned by 700 Iowa residents. After taxes, investors have received \$13,125,000 in distributions, a return of 37.5% on their original investment.

With regard to the Blue Top Ridge Golf Course, Mr. Massa noted the course was well received in 2007; however 2008 was a disappointment due to the floods. The holes along the river were rebuilt and opened in mid-May last year. After analyzing the situation, it was decided to acquire additional land and build five new holes that should open by mid-July of this year. They opened a golf performance studio last winter; it was well received as it is one of only a few in the Midwest. Mr. Massa stated that Golf Digest again named the course as one of the top five golf courses in the United States.

Mr. Massa concluded his remarks by stating that even though revenues are softening due to the economy, the facility is profitable, is effectively controlling costs without affecting quality, and is well within the bank loan covenant requirements. They are able to maintain their commitment to return funds to the investors and continue the profit-sharing program for the employees.

As there were no questions for Mr. Massa regarding the Riverside financial audit, Chair Seyfer called on Iowa West Racing Association (IWRA). Jerry Mathiasen and Tim Miller, Associate Executive Director and Finance Officer respectively, were available for questions.

Mr. Mathiasen advised the Commission that revenues from 2008 to 2009 decreased approximately \$131,000, mostly due to the economy and bad weather at the end of the year. He indicated they will watch revenues closely throughout 2010 to make sure that they can maintain their current grant giving level.

Commissioner Urban asked how IWRA advertises their grant application process. Mr. Mathiasen stated that everything is on the IWRA website; applications are submitted online. He advised that the website is publicized in all of their documents; using the example of a newspaper insert that goes into 28,000 newspapers across southwest Iowa. The insert, sent out quarterly, explains grants that have been distributed and provides information on how to contact IWRA. When the grants are announced to the media, the information provided tells where the money comes from, the recipients of the grants, IWRA contact information and the deadlines for the next round of grant applications.



Commissioner Urban asked if IWRA receives many applications from southwest Iowa. Mr. Mathiasen stated that IWRA has been very transparent in getting information out; however, they have stated within their guidelines that Council Bluffs and Pottawattamie County are their priority areas, but do indicate organizations in contiguous counties and Omaha are next in line, with the next focus area being outside those areas. Based on those guidelines, he noted that IWRA has distributed money to 17 counties.

Mr. Ketterer noted that while revenue declined slightly, expenses increased significantly. Mr. Mathiasen advised that IWRA increased the number of staff. He noted that while IWRA has four staff members, they also work for the Iowa West Foundation. The increase in staff would also be reflected in increases in supplies, payroll, etc.

Hearing no additional questions regarding the IWRA financial audit, Chair Seyfer called on the Dubuque Racing Association (DRA). Roger Hoeger, Assistant General Manager, was available to answer questions. Mr. Hoeger stated that DRA spent \$14.8 million on capital improvements in 2009, mostly for renovation of the facility and slot machine replacements. He advised that the State of Iowa received \$14.6 million, City of Dubuque - \$8 million; Dubuque County - \$359,000; payroll, taxes and benefits amounted to \$17.6 million and purses to greyhounds totaled \$4.4 million, totaling about \$45 million in disbursements.

Commissioner Hayes asked if DRA had refinanced their term debt yet. Mr. Hoeger answered in the negative, stating that the balloon payment was due December 1st at which time they will refinance the debt. He stated they prepaid approximately \$4.4 million in principal and are now making regular payments on interest only. Commissioner Hayes asked if DRA has a commitment for the refinancing. Mr. Hoeger indicated that is currently in the works, but they have received a commitment. The refinancing will be brought before the Commission once the details are finalized.

Hearing no further questions concerning the DRA financial audit, Chair Seyfer called on PMR&C. Gary Palmer and Brian Wessels, General Manager and CFO respectively, were present to answer any questions.

Mr. Wessels advised that 2009 was PMR&C's second best year for gaming revenue, ending the year at \$189.4 million. Payroll totaled \$52.7 million, and they ended the year with a total of 1,257 employees. At this time, the facility employs 1,353 due to the seasonal employees for racing. PMR&C spent \$4.5 million in maintenance capital, and has a budget of \$8 million for 2010. Mr. Wessels noted that the PMR&C Board has approved a \$10 million budget for the convention center expansion and the connection to the hotel for the casino.

As there were no questions concerning the PMR&C financial audit, Chair Seyfer moved to the contract approval portion of the agenda and called on Ameristar. Jane Bell, Director of Government Affairs, presented the following contracts for Commission approval:

- Fulfillment Xcellence, Inc. – Secondary Mail House
- Haworth Marketing + Media – Media Agency
- Meredith Corporation – Primary Mail House
- Powertech, Inc. – New Governors for the Boat Auto Transfer Switch
- US Foodservice – Food Provider

Hearing no questions concerning the contracts, Chair Seyfer requested a motion. Commissioner Cutler moved to approve the contracts as submitted by Ameristar. Commissioner Hayes seconded the motion, which carried unanimously. (See Order No. 10-54)

Chair Seyfer called on Harrah's. Ms. Sternberg presented the following contracts for Commission approval:

- Concert Security Services – Concert Services & Labor
- Leick Landscaping – Landscaping for Casino
- NRT Technology Corp. – Self-Redemption Kiosks
- Pinnacle Construction, Inc. – Construction Work
- Theatrical Media Services – Roof and Lighting for Concerts
- William Morris Agency – Booking Agent for Concerts

Hearing no questions concerning the contracts, Chair Seyfer requested a motion. Commissioner Urban moved to approve the contracts as submitted by Harrah's. Commissioner Hayes seconded the motion, which carried unanimously. (See Order No. 10-55)

Chair Seyfer called on Isle of Capri Bettendorf (IOCB). Nancy Ballenger, General Manager, presented the following contracts for Commission approval:

- Lithographic Communications – Printing
- Rock Town Entertainment – Booking & Production Services for Weekly Entertainment Shows
- Wellmark, Inc. – Third Party Administrator for Employee Health Benefits for Isle of Capri Casinos, Inc.
- North American Video, Inc. – Purchase of Digital Surveillance Equipment

Commissioner Hayes questioned the contract for the purchase of digital surveillance equipment as no Iowa vendors were approached; noting there are Iowa vendors. He asked why no Iowa vendors were asked to bid on the project. He indicated the same questions would apply to the contract submitted by Rhythm City.

Ms. Ballenger noted that corporate has several projects going in Iowa and Missouri. They approached a variety of vendors for the various projects and chose this one to provide the surveillance equipment. She noted that the Iowa vendor was utilized when

the equipment was purchased for the Waterloo facility. Commissioner Hayes asked Ms. Ballenger to communicate to the corporate office that they need to consider Iowa vendors even if they are the ones making the final decision; that the use of Iowa vendors is important to the Commission. Ms. Ballenger noted there have been instances when Iowa vendors have been utilized at out-of-state properties; that corporate tries to maintain a two-way street. Commissioner Hayes stated the Commission just wants the Iowa vendors to have a chance to compete.

Commissioner Cutler asked about the contract with Wellmark. She asked if the \$3.5 million was the administrative fee or funding of a trust account to pay medical costs. Ms. Ballenger deferred to Sally Rogers, Director of Finance, who indicated the money is to fund medical costs.

Commissioner Harrison asked why there was such a large increase in the transaction value with Lithographic Communications, an out-of-state vendor. Ms. Ballenger advised that their direct mail goes to a majority of those in the Players Club database; therefore, they have changed the specifications for what they use for that, and have included more things and increased the quantity of pieces mailed. Ms. Ballenger advised that an Iowa vendor is utilized for shorter turn-around items. Commissioner Harrison reiterated Commissioner Hayes' earlier comments about giving Iowa vendors the opportunity to compete.

Commissioner Cutler noted that the next time these contract come around, even if it is a corporate decision, that there is a possibility the Commission would not approve the contract. She stated that it is important for the Commission to have the information before them showing that an Iowa vendor was given the opportunity to bid.

Hearing no further discussion concerning the contracts submitted by IOCB, Chair Seyfer requested a motion. Commissioner Harrison moved to approve the contracts as submitted by IOCB. Commissioner Cutler seconded the motion, which carried unanimously. (See Order No. 10-56)

Chair Seyfer called on Rhythm City (RC). Mo Hyder, General Manager, advised that they were withdrawing the contract with Builders Sand and Cement as the company has been sold to another Iowa vendor and the dollar amount of the transaction does not meet the Commission's criteria requiring submission. Mr. Hyder submitted the following contracts for Commission approval:

- Wellmark, Inc. – Third Party Administrator for Employee Health Benefits for Isle of Capri Casinos, Inc.
- North American Video, Inc. – Purchase of Digital Surveillance Equipment

Commissioner Hayes advised Mr. Hyder that his comments regarding the surveillance contract with IOCB would also apply to his contract. Mr. Hyder stated that the comments were duly noted.

Hearing no further comments regarding the contracts, Chair Seyfer requested a motion. Commissioner Cutler moved to approve the contracts as submitted by RC. Commissioner Harrison seconded the motion, which carried unanimously. (See Order No. 10-57)

Chair Seyfer called on Diamond Jo Worth. Mr. Pang presented a contract with The Dimensional Group for direct mail printing services.

Hearing no questions concerning the contract, Chair Seyfer requested a motion. Commissioner Cutler moved to approve the contract as submitted by DJW. Commissioner Hayes seconded the motion, which carried unanimously. (See Order No. 10-58)

Chair Seyfer called on Terrible's Lakeside Casino (Lakeside). Mr. Thursby presented a contract with Control Installations of Iowa, Inc. for the installation and parts for a new digital surveillance system.

Hearing no questions concerning the contract, Chair Seyfer requested a motion. Commissioner Harrison moved to approve the contract as submitted by Lakeside. Commissioner Hayes seconded the motion, which carried unanimously. (See Order No. 10-59)

Chair Seyfer called on Lady Luck Marquette. Bari Richter, General Manager at Isle Casino Hotel Waterloo (Isle Waterloo), appeared on behalf of General Manager Todd Steffen, and presented a contract with Halvorson Trane for a replacement casino chiller.

Hearing no questions concerning the contract, Chair Seyfer requested a motion. Commissioner Cutler moved to approve the contract as submitted by Lady Luck Marquette. Commissioner Urban seconded the motion, which carried unanimously. (See Order No. 10-60)

Chair Seyfer called on Wild Rose Clinton (WRC). Mr. Bollmann presented a contract with Micro Gaming Technologies for the purchase and installation of MGT Promotional intelligence and two kiosks for the casino floor and an annual support and maintenance agreement.

Hearing no questions concerning the contract, Chair Seyfer requested a motion. Commissioner Harrison moved to approve the contract as submitted by WRC. Commissioner Cutler seconded the motion, which carried unanimously. (See Order No. 10-61)

Chair Seyfer called on Riverside. Mr. Massa presented the following contracts for Commission approval:

- Carousel Motors – Vehicles for Slot Carousel
- GRP Associates – Medical Waste Disposal Services

Hearing no questions concerning the contracts, Chair Seyfer requested a motion. Commissioner Hayes moved to approve the contracts as submitted by Riverside. Commissioner Harrison seconded the motion, which carried unanimously. (See Order No. 10-62)

Chair Seyfer called on Lyon County Resort & Casino (Lyon County). Mr. Massa presented the following contracts for Commission approval:

- Marsh USA, Inc. – Insurance Premium – Multi-Peril Casualty, Umbrella Liability, Builders Risk
- Minger Construction – Construction – Site Utilities
- R & G Construction Co. – Construction – Grading

Commissioner Hayes noted that 100% of the construction costs submitted is with out-of-state vendors. He asked if the Commission would see some Iowa vendors. Mr. Massa answered in the affirmative; that there are some contracts in the process at this time.

Commissioner Urban noted that one of the contracts submitted by Lyon County listed all of the companies submitting a bid and what their bid was. She stated that the Commission would like to see more of that type of information from other facilities when they are using an out-of-state vendor.

Hearing no further comments concerning the contracts, Chair Seyfer requested a motion. Commissioner Urban moved to approve the contracts as submitted by Lyon County. Commissioner Cutler seconded the motion, which carried unanimously. (See Order No. 10-63)

Chair Seyfer called on Isle Waterloo. Ms. Richter presented the following contracts for Commission approval:

- Wellmark, Inc. – Third Party Administrator for Employee Health Benefits for Isle of Capri Casinos, Inc.
- Halvorson Trane – 1 Year Maintenance/Service Agreement
- Wheaton Franciscan Healthcare – IA, Inc. – Team Member Health Clinic Provider

Hearing no questions concerning the contracts, Chair Seyfer requested a motion. Commissioner Cutler moved to approve the contracts as submitted by Isle Waterloo. Commissioner Hayes seconded the motion, which carried unanimously. (See Order No. 10-64)

Chair Seyfer called on Horseshoe Casino. Ms. Sternberg presented the following contracts for Commission approval:

- CB Lodging d/b/a Springhill Suites – Lodging for Patrons
- G&T Lawn Landscape – Grounds Maintenance
- Holiday Inn Express – Purchase of Hotel Rooms
- M&M Mills Tree Service d/b/a MTS, Inc. – Waste Management/Disposal Services
- NRT Technology Corp. – Self-Redemption Kiosk
- SkyMall Ventures, Inc. – Promotional Items
- The JDR Group – Promotional Items

Commissioner Hayes asked about the self-redemption kiosks. Ms. Sternberg advised that the kiosks allow patrons to cash out winning tickets. Commissioner Hayes asked if there is a dollar limit that can be cashed at the kiosks. Ms. Sternberg answered in the affirmative; it is based upon the number of bills the machine can count and to those less than \$1,199 so that the appropriate forms can be completed for reportable jackpots.

Hearing no further questions concerning the contracts, Chair Seyfer requested a motion. Commissioner Cutler moved to approve the contracts as submitted by Horseshoe. Commissioner Harrison seconded the motion, which carried unanimously. (See Order No. 10-65)

Chair Seyfer called on Mystique Casino. Mr. Hoeger presented a contract with Bird Signs for a digital billboard.

Hearing no questions concerning the contract, Chair Seyfer requested a motion. Commissioner Cutler moved to approve the contract as submitted by Mystique. Commissioner Hayes seconded the motion, which carried unanimously. (See Order No. 10-66)

Chair Seyfer called on PMR&C, and requested an update on the purses for the Standardbred meet. Mr. Palmer introduced Ann Atkins and Derron Heldt, Director of Operations and Director of Racing respectively. With regard to the purses, Mr. Palmer advised that PMR&C's position on the matter has not changed from the previous month: 10 days of live racing at PMR&C and a purse of \$550,000. If the standardbreds choose not to have the track surface removed for the meet, the county fair races would receive \$1 million for purses; if the track surface is removed, the purse money for the county fairs would be reduced to \$750,000. Mr. Palmer advised that PMR&C sent a letter to Mr. Lamberti on February 21<sup>st</sup>, and another on May 21<sup>st</sup>. PMR&C received a e-mail from Mr. Lamberti on June 2<sup>nd</sup> stating that the Standardbreds do not agree with either one of those terms. Mr. Palmer stated that it appears the parties are at a standstill.

Mr. Palmer stated that he was aware of some conversation on the RFP for the track removal. He stated that PMR&C has four or five people on their list to bid on the track

removal. It is their preference that union contractors be utilized for the job in order to avoid any unnecessary disturbances such as picketing, etc. Mr. Palmer also noted there are some restrictions as the track surface has to be removed within 72 hours, and they have concerns regarding the safety of the horsemen and the horses. The same is true when the track surface is replaced for the thoroughbred and quarter horse meets the following season. Mr. Palmer advised that the above-mentioned restrictions limit the scope of the RFP because there are very few companies large enough to move that fast and bring in the necessary equipment.

Chair Seyfer asked if there was a specific time frame in which PMR&C needed to have the contract approved to do the track. Mr. Palmer advised that the contract needed to be finalized quickly, probably by July 1<sup>st</sup>, so that the selected company can get the work on their schedule. Chair Seyfer asked if the contract would come before the Commission at the July meeting for approval. Mr. Palmer answered in the affirmative. Chair Seyfer asked when the work would be completed. Ms. Atkins advised that it would be done at the end of September.

Chair Seyfer moved to the status of the metrics for the three breeds. Mr. Palmer advised that the thoroughbreds have signed a five-year contract and a copy of the metrics as agreed upon has been submitted to the Commission. The same is true for the quarter horses, except they have a three year contract. With regard to the standardbreds, Mr. Palmer advised that PMR&C has worked with them on the metrics, and learned yesterday that there are some measurements that the standardbreds do not agree with. Mr. Palmer indicated PMR&C's willingness to continue discussions regarding the metrics; they are very similar to those submitted for the thoroughbreds and quarter horses. He believes those metrics provide a good benchmark for starting the process of evaluating the meets. Mr. Palmer stated they are comfortable with what the metrics look like. Chair Seyfer asked if there were still items that could be discussed. Mr. Palmer advised that PMR&C would be happy to continue discussions with the standardbreds. He noted that a letter received yesterday seemed to indicate that PMR&C is never available to meet; Mr. Palmer stated that he doesn't believe they have ever turned anyone away.

Commissioner Urban asked Mr. Palmer if PMR&C was pleased with the thoroughbred races at this time. Mr. Palmer answered in the affirmative; noting that the horse population has been flat. Currently there are approximately 1,038 horses in the barns; 200 short of being at capacity. Mr. Palmer stated there were 21 new trainers and seven new jockeys that came to PMR&C this year.

Mr. Heldt advised that the handle is flat; however, field sizes are running a little higher than last year. He stated there has been some sickness since the first part of May; the horses were confined to the barn area and are showing improvement. Mr. Heldt noted that some two-year old horses have started and participated in races; they are running sooner than they ever have. He stated that the track surface has been kind; they have been working very hard to have a safe track and he feels PMR&C is accomplishing that feat. He advised that they are continuing to try and build the horse inventory, noting that

this is the first year in a five-year program building plan. PMR&C is aware of where their weaknesses are and will be able to concentrate on those areas. Mr. Heldt feels the new trainers will help spread the word about the track and hopefully draw more new trainers next year.

Commissioner Hayes asked Mr. Heldt if he expected any additional horses to come in late. Mr. Heldt stated that Oaklawn Park just ended their season and PMR&C is expecting 25-30 horses and a couple more trainers.

Commissioner Urban asked how the horse inventory compares to last year based on the number of stalls available. Mr. Heldt stated that the numbers were similar; there have been some trainers that have brought in some horses, but not their full allotment. He stated that this issue is not just an issue for PMR&C, but is being seen throughout the industry as a whole.

As there were no further questions for Mr. Palmer or Mr. Heldt regarding the metrics or the racing program, Chair Seyfer moved to the update on the planned hotel. Mr. Palmer advised that Kinseth Hospitality is experiencing some difficulty in obtaining the necessary financing. The PMR&C Board voted to give them a 30-day extension to finalize the financing, with an option of an additional 30 days if progress is being made. He stated that if progress is not made within 30 days, it would be necessary to go to Plan B. Mr. Palmer advised that Weitz Company is on property doing the necessary work to connect the hotel to the current facility. He indicated the stumbling block in Kinseth obtaining the financing is the referendum; Kinseth is trying to work out some kind of language whereby PMR&C would guarantee the passage of the next two or three referenda, and if they don't, PMR&C would pay them. Mr. Palmer stated that he feels Kinseth is doing their best to obtain the financing. PMR&C is anxiously waiting at the starting gate; they want to get the project going before winter arrives. He is hopeful that he will have a much brighter report to give at the next meeting.

Commissioner Cutler asked Mr. Palmer what Plan B was if Kinseth could not obtain the financing. Mr. Palmer stated there is no definitive Plan B; there are several ideas. He advised that PMR&C will get the project done one way or another.

Chair Seyfer asked if there had been one 30-day extension already. Mr. Palmer answered in the affirmative. Chair Seyfer asked if the current extension was the second with the possibility of a third 30-day extension. Mr. Palmer again answered in the affirmative. Chair Seyfer asked how PMR&C's Board was going to define progress. Mr. Palmer stated that if no progress is made during the current 30-day extension he is not sure that another 30-day extension would make any difference. He advised the PMR&C Board is split on the issue at the present time; half wants to proceed on their own and the other half wants to give Kinseth more time to acquire the financing.

Commissioner Harrison stated that it was her impression from the report given at the previous Commission meeting that PMR&C's Board had given the hotel project the OK,



that it “was in the bag”, and would move forward. She is confused by what she has heard today. Mr. Palmer stated that was the Board’s intention, and still is. Commissioner Harrison clarified that she did not know the Board was split on the idea of moving forward with the hotel project. Mr. Palmer advised that the split on the Board is whether to proceed with Kinseth or do the hotel project on their own. He stated the entire Board is in favor of building the hotel; the question is how to proceed. He stated that the delays are frustrating some people. As bankers are brought in and discussions held, the economy has been especially difficult for the hospitality side of things. The banks are faced with various restrictions, and the referendum is coming into play; they are looking for guarantees that they will be repaid. Mr. Palmer stated the PMR&C Board is trying to figure out how they can guarantee any loans.

Hearing no further questions concerning the hotel project, Chair Seyfer moved to the parking issue. Mr. Palmer stated they are at the same place as the last report. PMR&C has taken a preliminary look at a 1,000 parking stall ramp and where it would be located. They would like to dovetail construction of the parking ramp with the hotel so that construction is not occurring on the north and south sides of the building at the same time. It is the Board’s intent to be able to start construction on the parking ramp as soon as the hotel is open. Mr. Palmer stated that the Board is 100% in favor of constructing the parking ramp.

As there were no further questions for Mr. Palmer, Chair Seyfer moved to the hearing for IOC Bettendorf for a violation of Iowa Code §99F.9(5) (Wagering – age restriction). Mr. Ketterer advised Chair Seyfer that Commission staff and IOCB management had entered into a Stipulated Agreement. On March 24<sup>th</sup> of this year, an underage female and a male companion entered IOCB via the main podium; the security officer failed to request identification from the female, allowing her to enter the gaming floor unchallenged. A surveillance tape shows the underage female playing roulette for approximately 20 minutes; she then stood in line at the cage and performed a transaction. The underage female then proceeded to play two slot machines and blackjack for the next five minutes. She and her companion exited the casino at 10:19 PM. A security officer recognized the female as being underage and alerted the DCI. The DCI’s investigation determined the female’s age to be 20 and that she had obtained a Player’s Club account. Mr. Ketterer stated that as the individual had entered the casino and gaming floor unchallenged, was on the casino floor for more than thirty minutes and either gambled or consumed alcohol, the situation met the criteria to come before the Commission. IOCB acknowledges the facts constitute a violation of Iowa Code §99F.9(5) and agrees to pay an administrative penalty in the amount of \$20,000 to the Commission. Mr. Ketterer requested the Commission’s approval of the Stipulated Agreement.

Ms Ballenger stated that IOCB had some challenges with this situation; they had the opportunity to learn some things. She noted they had the knowledge that this individual had been in the casino and obtained the Player’s Club account but failed to act on the information in a timely manner. She advised the Commission that IOCB takes underage gambling very seriously; they have ongoing training for the employees, put them through

rigorous training and require them to sign off that they understand the procedures/policies and what they are supposed to do. Ms. Ballenger stated that many times the family or other individuals are in collusion with the underage gambler. She noted that was not the case here as the individual was charged with identity theft. She advised that they have instituted some policy changes to help address what was learned through this case. Ms. Ballenger informed the Commission that IOCB cards approximately 10% of its patrons, or 115,000 last year, that appeared to be under the age of 35. If the individual is under 25, they request a second form of ID; however, individuals do become aware of what is required to gain entrance to the casino.

As there were no questions for Mr. Ketterer or Ms. Ballenger, Chair Seyfer requested a motion. Commissioner Hayes moved to approve the Stipulated Agreement with IOCB as presented. Commissioner Harrison seconded the motion, which carried unanimously. (See Order No. 10-67)

Chair Seyfer moved to Public Comment. Wes Ehrecke, President of the Iowa Gaming Association, distributed the American Gaming Association's State of the States report, which gives a quick snapshot of how the gaming industry is doing in the various jurisdictions. It also offers insight into sports betting, and the consumer's attitude toward gambling. The amount of discretionary dollars being spent is down, but Mr. Ehrecke feels this is a reflection of the economy.

As there was no one else signed up for Public Comment, Chair Seyfer moved to Administrative Business, and the Notice of the Dog Promotion Fund. Keith Soring, DVM, Director of Racing, advised that notice was being given that applications for the Dog Racing Promotion Fund for Fiscal Year (FY) 2011 were due in the Commission's Des Moines office by 4:30 PM on July 2<sup>nd</sup>. Additionally, the recipient of the funds for FY 2010 is to submit an accounting of how the funds were utilized. Pursuant to Iowa Code §99D.12(2)c, the commission each year shall approve a nonprofit organization to use moneys in the fund for research, education and marketing of dog racing in the state, including public relations, and other promotional techniques. The nonprofit organization shall not engage in political activity. It shall be a condition of the allocation of funds that any organization receiving funds shall not expend the funds on political activity or on any attempt to influence legislation. Dr. Soring advised that the application would be posted on the Commission's website.

Chair Seyfer moved to the Amendment to Standards and Penalties for Violations of Voluntary Self-Exclusion Law. Brian Ohorilko, Director of Gaming, noted that during the April Commission meeting, it was recommended that the Commission amend the resolution with respect to procedures on the above process, specifically to add the Social Security number to verify against the licensee's systems when certain situations require the patron to produce identification. He advised that a draft was sent to the licensees, and it was brought to staff's attention that the Federal CTR requirement for reportable amounts is for anything exceeding \$10,000 instead of \$10,000 or greater, so staff adjusted the wording in items 2A and 2B from the draft provided to the licensees. Mr.

Ohorilko requested approval of the Amended Standards and Penalties for Violations of Voluntary Self-Exclusion law.

As there were no questions for Mr. Ohorilko concerning the Amended Standards and Penalties, Chair Seyfer requested a motion. Commissioner Harrison moved to approve the Amended Standards and Penalties for Violations of Voluntary Self-Exclusion Law as submitted. Commissioner Cutler seconded the motion, which carried unanimously. (See Order No. 10-68)

Chair Seyfer moved to the regulatory fees. Karyl Jones, Director of Licensing/Administration for IRGC, advised that on Tuesday she e-mailed the Commission's portion of the regulatory fees for FY 2011 to the Commission members and the general managers at the licensed facilities; the DCI's portion was not available but should be sometime next week. She noted that since the Commission's budget is appropriated through the General Fund, it is easy to distribute the fees between the licensees. Ms. Jones asked for approval of just the Commission's portion of the FY 2011 regulatory fees and the ability to take the figures provided by DCI next week in order to begin the regulatory fees at the beginning of the fiscal year. The DCI portion of the regulatory fees will be brought before the Commission at the July meeting for approval. Mr. Ketterer advised that if there is any discrepancy in the DCI numbers, it will be adjusted.

As there were no questions concerning the regulatory fees, Chair Seyfer requested a motion. Commissioner Hayes moved to approve the regulatory fees subject to final review and approval at the July Commission meeting. Commissioner Urban seconded the motion, which carried unanimously. (See Order No. 10-69)

As there was no further business to come before the Commission, Chair Seyfer requested a motion to adjourn. Commissioner Cutler so moved. Commissioner Urban seconded the motion, which carried unanimously.

MINUTES TAKEN BY:

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JULIE D. HERRICK